Sectt. II.27—40,008—20-12-38.

Agriculture (1937) Department.

MS SERIES.

G.O. No.	2556
Dated	19.10.1938

[Despatch Abstract]

Co-operative Societies - Non-credit societies - Organisation of sugar factory on a co-operative basis at Kampli - Proposals dropped.

TO,

THE HON: V. V. GIRI

MINISTER FOR LABOUR AND INDUSTRIES.

-- MADRAS.

Honoured Sir,

21616

We, the land-holdersof Kampli firka, most heartily welcome you amidst us this evening. Your esteemed services and sacrifices in the uplift of the distressed toiling millions of this land have won for you universal love and respect. With the full conviction that, with your masterly lead and support, we will -- have the much longed for solace and comfort, we approach to seek redress of our grievances.

NEED FOR SUGAR FACTORY AT KAMPLI..

Kampli and the neighbouring villages, with about 3000 acres of rich wetlands watered by the perinial Tungabhadra, besides the rich hinterlands the Nizams and the Bombay Governements on the other side of the river, were once the richest and the prosperous centres of trade and industry. They are now in the death grip of famine and decay because of the continued depressing and --- deplorable price of commodities, specially that of jaggery. Jaggery, which was once fetching an average price of Rs 25/- to Rs 30/- per unit of 11 mds., is since 10 years being sold at Rs 6/- to Rs 8/- per unit, with the result that the people are reduced to the deepest depth of misery.

PROPOSAL.

The only way out of this misery, we feel sure, is to find a market for the cane grown here by starting a small Sugar Factory in Kampli on a cooperative basis, which would not only satisfy to an extent the heavy demand for home-sugar but also substantially -- help in the rise of a richer, happier and prosperous Kampli. On statistical calculation of acerage, production and cost, it is seen that a Plant with a capacity of 250 tons per day could be run the whole year with benefit. We the land-holders agree to float about 3000 Shares of Rs 25/- each, which capital, together with the Government and Co-operative aid, will fund the whole scheme on a substantia

substantial basis.

With this hope we look to the benign government in the person e of our esteemed Minister here for whole-hearted support and pray - speedy redress of the distress of this benighted District of the - Presidency.

K A M P L I,
27 -7 -1938.

LAND HOLDERS OF KAMPLI FIRKA.

Dev. Dept.

C.No. 21616/38. Arm. Kr. Land holders of Kampli Taluka — re.: Formation of a Sugar Factory on a Co-operative basis dated 27.7.38.

Endt. No. 6 dated

Referred to the Registrar of Co-operative Societies for Remarks.

18/8/38

To the Reg. of Co-operative Societies

Copy of p.c/f 1 & p.2 of ii original by Mr. Subbiah

E.R. 38.
E.R. 38.

Dy. No. 3/8/38
Date .93

To us.

Please see H.M's notes at page 1 c.f.

18/8.

4 33546 V

C.F. 80.

COOPERATIVE **DEPARTMENT.**

Received ..... 19 *Registered* ..... 19 .

Subject.

Organisation - Sugar Factory on Cooperative Basis at Kampli - Bellary District.

ENCLOSURES.
No. .....
.....
Spare copies .....

C. No. 6936/38

Station Madras, *Dated the* 8th December 1938 .

From (Name) Sri Rao Bahadur M. Giriappa, B.A.,
(Designation) Registrar of Co-operative Societies.

To The Secretary to the Government of Madras,
DEVELOPMENT Department.

Sir, - plants

Ref: Government Endorsement No.21616-V/38-1 dated 19-8-1938.

The Deputy Registrar, Anantapur and the Industrial Engineer visited Kampli and discussed the question of starting a co-operative sugar factory with the leading persons. The idea is to start a sugar factory with a capacity of 150 to 200 tons, to collect Rs 75,000/- as share capital and to borrow from Government a sum equal to ten times the paid up share capital repayable in 20 years at a rate of interest not exceeding 4% to meet the capital expenditure.

75,000 x 10 = 7,50,000

2. Kampli is 32 miles from Bellary and 20 miles from the spet Railway Station. The proposed factory is expected to

get its cane from 6 adjacent villages in which an area of 1559 acres are under sugarcane cultivation. To give work to the factory for a whole season of about 120 days, it is sufficient to have an area of 1000 acres under cane cultivation. As more than 1500 acres are already under cultivation, it may be expected that the factory will have adequate cane supply.

3. The Deputy Registrar has worked out the economic prospects of the factory on the assumption that a ton of sugarcane will yield about 2 cwts of sugar. The cost of Production as furnished by the Deputy Registrar is as follows:-

	Rs.	a.
Cost of cane (one ton)	10	0
Manufacturing cost	3	8
Other incidental expenditure	0	8
Depreciation	1	0
Excise Duty	4	0
	19	0

The price of sugar stands at Rs 14 per cwt. and the promoters expect a profit of Rs 9 per ton of cane crushed.

4. I am not however, sure whether the expectations of the promoters will be fulfilled. In the Vuyyur Industrial Society, experience shows that one ton of cane produces 1½ cwts. of sugar and the manufacturing expenses per ton amount to Rs 7-3-2. On this basis the cost of producing 1 bag of sugar of 1½ cwts. is as follows:-

	Rs.	a.	p.
Price of Sugarcane (one ton)	9	0	0
Manufacturing Expenses	7	3	2
Excise duty at Rs 2 per cwt.	3	0	0
	Rs. 19	3	2

or Rs 13/- per cwt.

No sugar factory can function successfully unless the price of sugar rises above Rs 19-4-0 per bag of 1½ cwts. The present selling price is about Rs 21 per bag and the margin between the cost of Production and selling price is very low.

5. The cost of a 150 ton plant (including erection charges) is estimated at Rs 5,10,000/-. It is said that a 150 ton plant will easily crush upto 200 tons a day. As I have said above, the promoters expect to collect Rs 75,000/- only as share capital and they propose to ~~xxxxxx~~ raise the balance required for capital expenditure by way of a Government loan. In the Vuyyur Society the money required over and above the share capital has been contributed by the members themselves in the shape of share deposit at Rs 200/- per acre of sugar cane cultivated. If a member has no ready cash to pay the share deposit, he can ~~xxx~~ raise a loan on the mortgage of his land and pay the share deposit. The Deputy Registrar, Anantapur, has reported that the prospective members of the Kampli factory are definitely unwilling to make share deposits nor are they prepared to mortgage their lands by way of security for outside borrowings. The share capital and machinery alone cannot form adequate security for the creditor and unless the promoters are willing to offer security of immovable property also, it is not possible either for the Government or for the Madras Provincial Co-operative Bank to give a loan to meet the capital expenditure.

6. To sum up, I am not in favour of starting a sugar factory with borrowed capital. For it will have to pay interest on borrowings long before it begins to earn a profit and it will be unable to meet its obligations. A big venture like the proposed one should not be undertaken on borrowed capital which would simply smother the scheme from its inception. Unless the promoters agree to contribute the entire sum required for capital expenditure as share capital, it is not desirable to start a sugar factory at Kampli. I am therefore impressing upon the promoters the necessity to collect the required amount by way of share capital.

for REGISTRAR.

Tvm/2.12.

Appd. 11/1
Encl. Ptn & C.C.
2 Chqs 3

1

Dev. Deptt

Hp 1.2 C.F. From the Land holders of Kamptee Taluka. Organisation of a Sugar Factory on Co-operative Basis at Kamptee. Bellary Dist.

Endt. No. 21616/38.3 dated. 11.1.39

Referred to the Director of Industries and Commerce for remarks.

Dus 3/1/39. Ldm 5-1.

Cir 11/1/39

To the D. of C. Hp 1.3 with a copy of C.F.
(with a copy of P.C.C and P.2.C.F in original to be returned)
No. m. 23.3.1939

Dpd. by Van / Post / Messenger
Dpr.'s initials.
Date 12/1 1939

8/

C.F. 80.

Industries & Commerce **DEPARTMENT.**

Received 26 MAR 1939 19 *Registered* 8968 V 19

22.3.39.

Subject.

Organisation of a sugar factory on a co-operative basis at Kampli.

ENCLOSURES.
No.
Spare copies

No. 241-A/39.

Station Madras, *Dated the* 23rd March 1939.

From (Name) V.Ramakrishna Esq., M.A.,I.C.S.,

(Designation) Director of Industries & Commerce

To The Secretary to the Government of Madras,

Development Department.

Sir,

* page 7 ante.

Reference: Government Endorsement No.21616-V/38-3, dated 11th January 1939.

The Director of Agriculture and myself visited Kampli last month, accompanied by Dr. R. Nagan Gowda, Sri B. Srinivasachar, M.L.A., the Assistant Registrar of Co-operative Societies, the Assistant Director of Agriculture and the Tahsildar of Hospet. Prominent sugarcane growers were also present.

The area under sugar cane at Kampli and other villages within a radius of 5-6 miles varies from 1600 to 2000 acres. The Director of Agriculture considers and I agree with him that the area in and around Kampli is eminently fitted for

sugarcane cultivation. The Director of Agriculture estimates an average yield of 27 to 30 tons per acre and when new varieties are introduced, the average yield may go up to 30-35 tons per acre and even more - vide attached copy of letter from the Director of Agriculture.

I consider that if a sugar factory is to be put up, it should be on co-operative lines and it should have an actual crushing capacity ~~capacity~~ of 250 tons of sugar cane per day. The experience of Hospet has clearly demonstrated that in a jaggery area it would be difficult for a sugar cane factory to succeed unless the growers themselves are interested in it and an obligation is laid on every shareholder to supply cane in proportion to his shareholding in the factory.

The scheme would cost at least Rs.6 lakhs for the factory without any provision for working capital. The Registrar of Co-operative Societies has promised to recommend a loan of four lakhs to the Provincial Bank provided the growers raised rupees two lakhs among themselves. The growers told us that it would be very difficult to raise anything over a lakh but that they would consider the question of raising a further lakh and intimate to us.

In view of the excellent facilities offered by Kampli for a sugar factory, I consider that a factory with an actual capacity of 250 tons per day owned by the growers will be a success provided it is managed properly. I informed the growers that unless they agreed to have a Government Officer or an officer appointed by the Provincial Co-operative Bank acceptable to the Government as their General Manager until the loan to the Provincial Co-operative Bank was discharged, I could not support the proposal for starting a cane growers co-operative sugar factory. They agreed to the proposal.

We should now await the report of the local officers of the Co-operative and Agricultural departments as to whether the growers have arranged to raise two lakhs of rupees as suggested by the Registrar of Co-operative Societies.

VRN.

for Director of Industries & Commerce.

10

Copy of letter C.No.133/39, dated 5th March 1939 from the Director of Agriculture.

Sugar factory at Kampli - Opening of - Agricultural possibilities -

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The area under sugar cane at Kampli and other villages within a radius of 5-6 miles varies from 1,600 to 2,000 acres and was never below 1,500 acres in recent years. This difference in area is mainly due to the fluctuations in the prices of jaggery. The wet lands of Kampli and the surrounding villages are quite fertile and were selling at one time at Rs.2,000 - 3000 /- per acre though their value has now fallen to Rs.1,200 - 2,000/-. There is no shortage of water throughout the year except when the irrigation channels are closed for cleaning and repairs.

2. The Kampli ryots are very good at sugarcane cultivation. A large number of them is, however, heavily indebted to the middlemen and jaggery merchants who are also money-lenders. They lend money to the cultivators for cultivation and other expenses on a definite condition that the latter would sell all their jaggery immediately after its preparation either to or through the former. The cultivators are not thus at liberty to sell their jaggery in the open market as and when they liked but if they are given the liberty to wait for better market the jaggery must be left in charge of the middlemen who should have the discretion to sell it at the time they think the market rate was high enough. The cultivators are not informed of the correct rate at which the jaggery was sold and there are also very many deductions in weighments in the name of some allowance or other, charity fund, etc., besides false weights and scales.

3. There are many cultivators who grow more than 10 acres and some up to 30 acres every year though there is great scarcity of both human and cattle labour. For crushing the cane they depend almost entirely upon a set of professional

people on the other side of the Thungabhadra in the Hyderabad State who come here at the beginning of every crushing season with their cattle and families and return to their homes after the crushing season was over. Their cattle are weak and undersized and are not quite fit for heavy work. They are not therefore eager to crush the cane by properly tightening the rollers of the sugarcane mills as this means heavy burden on their animals. If they are forced to tighten the rollers, they would run away without notice. The same is the case with them as regards the boiling of juice. They know one ancient method by which they could produce dirty black jaggery even from very good canes and if they are asked to follow any other method they would rather leave the cultivator to his own fate than submitting themselves to the dictates of others. Therefore though the cane grown is of superior variety, the jaggery produced is of low quality. From these points of view the Kampli cultivators would welcome a factory of their own instead of perpetually remaining themselves at the mercy of the jaggery makers in addition to the money lenders.

4. There are only two varieties of sugarcane, Hottai Kabbu and Javari Kabbu, grown at Kampli as at Hospet prior to the sugar factory. Both of them are thick soft varieties with rich sucrose content and their average yield varies from 27 to 30 tons per acre according to the nature of the season. It has not been possible to introduce new varieties of canes from Coimbatore and elsewhere as they are a little too hard to crush in a bullock mill and the professional jaggery-makers do not want totouch them. This was the case at Hospet also before the sugar factory was built there and as at Hospet it will be easy to introduce superior canes at Kampli also in the place of local canes in about 3-4 years after establishing the factory. There are many good Coimbatore varieties which grow very satisfactorily at Kampli as at Hospet and when they are introduced the average yield may go up to 30-35 tons per acre and even more.

5. It will thus be seen that if the cultivator have a personal interest in the factory and are not divided amongst themselves, there is a good scope for a factory which could consume 250 to 350 tons of cane per day for not less than 120 days in theyear. It will not serve as a rival to the Hospet factory as the latter is unable to consume more than 2,000 acres of cane per season as against about 4,000 acres available under cane at Hospet and within a radius of 6 - 7 miles. Kampli is about 16 miles away from Hospet and is altogether cut off from the area served by the Hospet factory. A factory at Kampli might act as a check against the low rates offered by the Hospet factory for sugarcane and for this reason the latter might raise an objection to the location of a factory at Kampli but its objection need not be taken seriously.

13/

C.F. 30.

Co-operative **DEPARTMENT.**

Received ..... 19 *Registered* 29761/V 19

9. X. 39.

Subject.

Organisation of a sugar factory on co-operative lines at Kampli - Bellary District.-

Enclosures.
No. .....
.....
Spare copies .....

Rc. No. 6936/38-C.

Station Chepauk, Madras, *Dated the* 6th October 1939.

From (Name) S.A. Venkataraman, Esq., I.C.S.,

(Designation) Registrar of Co-operative Societies.

To The Secretary to the Government of Madras,

Development Department.

Sir,

Page 3 N.F

Ref: D.O. from Mr. Paul, No.21616-V/38-2, dated 11-1-1939.-

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D Jfp 4.6 ante: In Mr. Giriappa's letter No.6936/38-C, dated 8-12-1938, it has been explained to the Government that the idea of Mr. Nagan Gowda and other leading persons in the area is to start a sugar factory on a co-operative basis with a crushing capacity of 150 - 200 tons a day, by collecting a share capital of Rs.75,000/- and by taking a loan from Government to meet the balance required for capital expenditure. Mr. Giriappa was not in favour of starting the proposed scheme on borrowed capital as the experience

p.t.o.

gained in the working of the Vuyyur Co-operative Industrial Society had shown that a scheme like the present one, should hardly be financed by borrowed money and that the entire capital should, if possible, be met out of share capital. Mr. Giriappa visited the area in January 1939 and asked the promoters to collect at least a share capital of Rs.3 lakhs, but they have not done so.

2. I visited the area in August and discussed the matter in all its bearings with Dr. Nagan Gowda and other important ryots interested in the venture. Sir T. Vijiaraghavacharya, Chairman, Committee on Co-operation, and the Director of Agriculture were also present, and gave us the benefit of their specialised knowledge. ~~Sri~~ Sir T. Vijiaraghavacharya at the outset postulated, that, for a sugar plant really to pay its way and show a reasonable profit, it should have a capacity of not less than about 500 tons a day, or at the very least, 400 tons a day. It is stated that the approximate cost of erecting and equipping such a factory would be in the neighbourhood of Rs.10 lakhs-- a sum totally beyond the capacity of the local ryots to raise on a co-operative basis. It was no use, said Sir T. Vijiaraghavacharya, to tinker with the idea of a small factory with a daily output of 200 tons: such factories have not succeeded elsewhere, and are bound to fail here also. On this point, there was general agreement, and Dr. Nagan Gowda also seemed to be of the same view. Even this small-scale factory would cost about Rs.6 lakhs, and the difficulty of finance would still exist. Moreover, these approximate costs of construction are "pre-war" rates: now, they should be increased by at least 25%, to arrive at a correct estimate.

The local ryots, I was definitely told, could not raise much over Rs.70,000/- as share capital: even if they strained every nerve, a lakh of rupees was the very utmost that could be hoped for. Dr. Gowda was quite clear and definite on this point. I told them that this would be entirely inadequate for the purpose. They suggested that either the Government or the Madras Provincial Co-operative Bank should put up the balance. I do not think that Government can lock up about Rs.9 or 10 lakhs in a single factory, at any rate, under present conditions. As for the Madras Provincial Co-operative Bank, it has already a heavy liability in the shape of the Vuyyur Sugar Factory, and, so far as my knowledge of the temper of its Executive Committee made me understand, it is extremely unlikely to finance any other sugar factory, -- let alone to the extent of Rs.9 or 10 lakhs. I made this point perfectly clear to Dr. Gowda and his associates. I asked them to think about the matter and let me know if they could possibly raise about Rs.3 lakhs at least, as share capital, when, perhaps, Government might be approached for further aid. I gave them a couple of months to make enquiries and think over the matter, but I have heard nothing further from them. The position, therefore, is a stale-mate, and more or less remains where it was.

3. Another important point is, that the area under sugar-cane in the country surrounding Kampli is only about 1500 acres--a figure hardly sufficient to work a factory full time, on the capacity contemplated. It would not be an economic proposition to divert any cane from the Hospet area to this factory, owing to distance, etc. It is problemetical how much of the remaining area, registered as wet in the Kampli neighbourhood, can be utilised for cane growth in the near future. One should not repeat the Vuyyur mistake, of having the factory <u>first</u> and <u>then</u> feverishly trying to surround it by an <u>adequate</u> area of cane cultivation.

p.t.o.

16

4.

4. I, therefore, consider that the position is not at present favourable for the starting of a sugar factory at or near Kampli, on co-operative lines. In any case, the proposal need not be pursued till the present war conditions disappear.

B

For Registrar.

K.K
6-10

pr.6-10.

17

Dev. Dept.

C.No 21616 V/38. Organisation - Sugar Factory on Co-operative basis at Kampli. Bellary District.

To U.S

Please see the letter from the Landholders of Kampli at pages 1-2 C.F. and the remarks of the Registrar of Co-operative Societies thereon at pages 4-6 C.F.

In the circumstances detailed by the Registrar of Co-operative Societies it does not appear that a factory can be started at Kampli ~~for the reasons as called for~~. Perhaps the D.C. may see the case no. for remarks if ~~The file may be circulated to the D.C. for forwards~~ he has any.

Rec 19/12/38. Sec 20/12

We may agree with the R.C.S.

as

20/12

S

A preposterous proposal - We may say we cannot support it.

CA

22-12-38

Sec 20/12

P.L.O 21/12.

A

At M(I&C) Let R.C.S Law & Cattle with the Nagama Gowda & Board President who is the prime mover in the matter. Also the D.C may be asked for views as he might know something about it. ~~[illegible]~~ On the whole this may not be a proper time to have a factory by

CA

3.1.39

Sec

CA

18 2

To H.S.

With reference to "A" on page 1 ante a draft D.O. of the Registrar is submitted for approval. With reference to "B" at page 1 ante a draft Endt. is submitted.

DLL 3/1/35. bm 5/1.

CU 11.1.35

[Issued as Endt No 21616 V/35.3 dated 11.1.35] HH 8-5 C.F

Telhess

Please send the draft to the Registrar

D Forbes

22-23
11/1

Elpd 3 & 11

Dev. Deptt.

D.O. No 21616/38-2 dated 11.1.39

Sub: Organisation of a Sugar Factory on Co-operative basis at Kampli Bellary Dist:

Ref: your letter No C.6936/38 d 8.12.38

I am to request you to meet and personally discuss the matter with Sri Naganna Gouda, President, Dist Board, Bellary who is the prime mover in the matter and to report the result to Government in due course.

Dpd. by [illegible] Messenger
Dpr.'s initials.
Date 12/1/39

To
Sir Ras Bahadur
M. Gurappa B.A.,
B—C.S.

3/1/39 bm 5-1

11/1/39

11/1/39

21/

Page 7 C.F. [Issued as Endt. No 21616/38.3 of the D. of C. dated 11-1-1935.]

To A.S

Please see the Endt of the Director of Industries & Commerce at page 7 C.F and his reply at page 8.5 C.F.

A'm p 8 C.F The report of the local Officers of the Co-operative & Agricultural departments may be awaited.

DB
3/3/35.

Gr
4/4 S Uno
4/4/39

IW
8.11.39

To A.S

A draft D.O. Reminder to the Registrar is submitted for approval.

DB
7/4/39.

Gr
19/4

pp 13-16 C.F [From the Regr. of C.S. No A.C. 6936/38 C. dated 6.x.39]

To A.S

Please see the D.O. of the Registrar of Co-operative Societies at page 3 ante and his report at pages 13-15 C.F.

In the circumstances reported by the Registrar it does not appear that a Sugar factory on Co-operative basis can be started at Kampli. This time

8 27

is inopportune for the Government to sanction a loan of Rs 9* to 10 lakhs for starting the factory. No further action seemed called for. The papers may perhaps be recorded after perusal by H.M.(I&L).

* A' at p 15C/F

Rle
6/X/35.

OB 11.10.39

S
CWO
11/10/39
H.M.(I&L) MS 13/X/10

P.S. 6/13/X

14/10

160

To U.S

A draft order is submitted for approval.

Order issued 1/XI
13/X

Rle 17.10. 16/X/35.

MS 18.10.39

39/1917

23

C.F. 16.

DRAFT FOR APPROVAL.

Dev. Dept

	Date.	Initials.
When received for fair copying		
When copied	15/10	L
When examined		
When signed		
When despatched.		

SUBJECT:— Co-operative Societies.

Nm. Credit Societies - Organization of a Sugar factory on a Co-operative basis at Kampli - Proposals drafted.

READ AGAIN _____, dated _____ 19____.

" " _____ " _____ 19____.

READ *ALSO*:—

C. No. 21616.V/38 From the Landholders S. Kampli, No. Nil, dated 27.7.1938 — pp 1-2 C.F

" Endt. by the R.D.S. Kampli C.S. 21616.V/38.1 " 19.8.1938 — p 3 C.F

" From the — do — C.6936/38 " 8.12.1938 — pp 4-6 C.F

" Endt. by the D.I.& C. 21616.V/38.3 " 11.1.39. — p 7 C.F

" From the D.I.& C. " 241.A/39 " 23.3.1939 — pp 8-9 C.F

— do — R.C.S. R.C.6936/38-C. 6.10.39. — pp 13-16 C.F

~~Order~~ ~~Resolution~~ ~~Ms.~~ ~~Roth~~ No. 2556, dated 19 10 1939

Recorded.

To the Regr. C.S. ✓

D.I.& C.

16/x from 17.10.

18.10.39